

At No Cost

How Imperial County Can Use State and Federal Dollars to Lift Home Care Workers Out of Poverty and Strengthen its Local Economy

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United Domestic Workers of America
Affiliated with NUHCE, AFSCME, AFL-CIO



Introduction

Home care providers are among Imperial County's hardest working citizens. They feed and clothe the elderly, handle vital domestic chores for people with disabilities and administer medication to those too sick to care for themselves – all in the comfort of the consumer's own home. The work is often difficult and stressful, requiring a variety of skills ranging from heavy lifting to coping with death.¹ But home care workers are all too willing to make sacrifices for the end result: Imperial County's elderly and disabled residents have peace of mind against the haunting fear that they will be institutionalized.

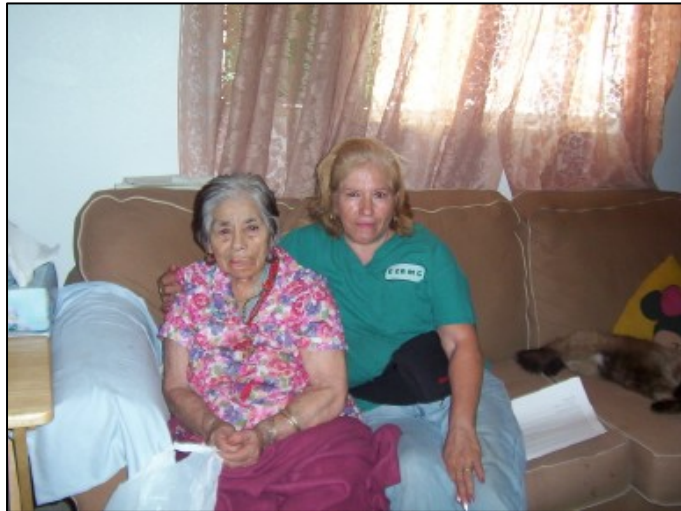


The benefits of keeping Imperial County residents out of long-term care extend to local taxpayers, too. Through the home care system, taxpayers are spared the hefty cost of placing these patients in permanent care facilities, which are significantly more expensive than IHSS services. For example, the estimated monthly cost of an IHSS case is approximately \$300, compared to about \$1,800 for a nursing facility and about \$2,400 for an intermediate care facility.²

Since 2000, many counties have increased IHSS provider wages over \$8 an hour. Despite their critical work and the savings to taxpayers it produces, Imperial County's 4,100 IHSS providers

earn just \$6.75 an hour, hardly enough to support the basic needs of these workers and their families. In fact, the annual median wage of Imperial IHSS providers –\$7,436.72 – is 64% of the Federal Poverty Level (FPL) for a family of three and would easily qualify these families for public assistance in California.³

To make matters worse, unlike workers in other counties, Imperial County home care workers do not receive health insurance through their IHSS



¹Delp, Linda and Katie Quan, "Homecare Workers Organizing in California: An Analysis of a Successful Strategy," *Labor Studies Journal*, 6:1 (Spring 2002): 3

²California Budget Project. March 30, 2005. "In-Home Supportive Services Program". Sacramento.

³ According to the US Census Bureau, the national poverty level for two adults and three children is \$22,543. U.S. Bureau of the Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, Report P60, n. 229, p. 45. Calculations: # paid hours of all Imperial County IHSS workers/ # of workers (current hourly wage) or 4,517,119/4100 (\$6.75).

employment. As a result, many are uninsured and face excruciating circumstances when they or a family member faces a health crisis. Meanwhile, home care workers in many counties throughout California earn significantly more for the exact same work, with many providers earning well over \$8 an hour plus health insurance.

Though Imperial County workers have pleaded with county leaders for years to improve this situation – as Boards of Supervisors in many other counties have done – the Imperial County supervisors insist they are too cash-strapped to give home care workers the pay raise and health insurance they need and deserve.

This report outlines a solution that will not only improve the lives of local home care workers and their clients, but all Imperial County residents. Specifically, this report will show that:

- I. The Imperial County Board of Supervisors can provide better wages and health insurance to Imperial County’s 4,100 IHSS workers without spending a dime in local tax money.**
- II. Existing state and federal funding – money that up to now the county has failed to tap into – can easily be used to provide home care workers with health insurance and an hourly wage up to \$10.50.**
- III. Increased wages for Imperial County home care workers could create a \$11.9 – \$22.5 million windfall for county businesses and grow the local tax base by \$146,154 – \$276,381.**

I. The Imperial County Board of Supervisors can provide better wages and health insurance to IHSS workers without spending a dime.

Contrary to the county's official line, the Board of Supervisors can provide IHSS workers with a well-deserved pay raise and health insurance without spending an extra dime. ***This is because almost every penny the county spends on the IHSS program is fully refunded by state and federal governments.***

Currently, Imperial County home care workers earn just \$6.75 per hour – significantly less than what the state and federal governments are willing to contribute toward IHSS wages.⁴

Recognizing the critical need for home health care workers – and the cost savings they provide taxpayers – the California legislature and the U.S. Congress have earmarked funding to improve pay for home care workers in counties like Imperial.

At No Cost to Imperial County
Imperial County home care workers make just \$6.75 per hour and get no health insurance.
But the California legislature and federal government are willing to fund wages up to \$10.50 per hour plus pay for health insurance for local IHSS workers – all at no cost to the county government.

In fact, the state and federal governments will reimburse Imperial County for wages it pays to IHSS workers, up to \$10.50 per hour. In addition, state and federal governments provide 60 cents per hour for health insurance.⁵ How Imperial County can draw on these funds is explained more fully below.



The county does have a role to play. By law, Imperial County must pay 17½ cents on the dollar toward IHSS workers' wages. However, even this small local contribution is reimbursed by the state through its realignment funds.⁶ After initial reimbursement, the amount of the county contribution becomes part of the "base" realignment funding and is repaid each month.

For example, if the county approved a pay raise for home care workers that brought their hourly wage to \$8.50 or even \$10.50, plus \$.60 per hour for health insurance benefits, these increases would be within the range of what the state and federal governments will reimburse without county taxpayers spending an extra dime.⁷

In a county where the per capita income is just \$20,674,

⁴ The current total cost of reimbursement is approximately \$7.43 per hour, when taking into account payroll taxes.

⁵ As of July 1, 2005.

⁶ Sections 17605 and 17606 of the California Welfare and Institution Code. California AB1682 and AB 1684. Realignment funds are generated through a dedicated 24.33% of Vehicle License Fee monies and ½ cent of the state sales tax.

⁷ The total cost of the proposal is an average of approximately \$11.05 per hour when payroll taxes of 95 cents per hour are taken into account (\$8.50.00-\$10.50 range) – and is entirely financed from state and federal funds.

one of the lowest in the state, this pay increase would provide a much-needed influx of cash for struggling home care workers and their families.⁸ This investment will positively impact not only IHSS workers, but also create a windfall for local businesses and expand the tax base.

II. Imperial County Is Failing to Tap into Free State and Federal Money

Even though state and federal funds are readily available to pay higher wages, Imperial County Supervisors have failed to draw on this money. Instead, local taxpayers have watched as the state and federal money they already shell out for the IHSS program pours into other counties and other states. *Shouldn't some of that money come back to Imperial County?*

If county home care workers were paid \$8.50 per hour and 60 cents for health benefits, it would put an additional \$11.4 million in workers' pockets. At \$10.50 an hour and 60 cents for health benefits, it would mean an extra \$21.3 million. To make it happen, Imperial County must increase the amount of money it pays upfront to home care workers – money that, again, is fully reimbursed by the state and federal governments. For the 2005-2006 fiscal year, the county's upfront costs for a wage increase to \$8.50 per hour would be a mere \$1.9 million. At \$10.50, the county's upfront costs would be \$3.7 million.

Yet since the United Domestic Workers of America (UDW) began representing home care workers in 2001, Imperial County has contended that it cannot pay the extra money in upfront costs to cover these wage increases or health benefits.⁹ The following will demonstrate that, in fact, the county does have the funds.



Imperial County Can Afford Fair Compensation for Home Care Workers

An analysis of Imperial County's budget reveals ample funds for fairly compensating local home care workers. Consider:

- According to the latest available audit (FY 2003-04), the county had a total unreserved governmental fund balance of \$19.96 million and a balance of \$4.38 million in the general fund (the main operating fund). These balances are more than sufficient to increase home care worker wages and provide health benefits.

⁸ US Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis. "California Per Capita Personal Income." Table CA1-3, April 2005.

⁹ In 2003, the County asserted there were no funds available for wage increases. When we pointed out the County had substantial unspent reserves (see below), the county asserted that these had all been committed, but could provide no documentation to back up this assertion. *In fact, the county had \$19.96 million left over at the end of the year.*

- The county is really just “lending” its up-front costs to the state. Imperial County would only need an additional \$1.9 million to raise wages to \$8.50 an hour and just \$1.7 million on top of that to raise them to \$10.50 – a simple temporary contribution because the State of California is obligated to return it.¹⁰ After initial repayment, this money becomes part of the “base” realignment funding and is repaid each month.
- The proposed 2005-06 budget shows that total county revenues are budgeted at about \$257 million – a substantial increase of 20% over the prior year’s \$206 million budget, indicating that revenues are expected to grow quickly. Only a very small portion of this budget (less than 1.4%) would be needed to provide a wage increase to \$8.50 an hour, and it would be reimbursed.

III. Increased Wages for Imperial Home Care Workers Mean a Stronger Economy and More Tax Revenue.

When people make more money, they spend more money. And when workers spend money, they generate still more spending. This is the *economic multiplier effect*, and can be quantified not only for other individuals, but also for businesses and even for tax receipts that flow from this spending.

Economic multipliers can be calculated for many different economic activities. In addition, they depend on the particular population and region involved. UDW asked Warren Jensen of the Center for Economic Development at California State University, Chico to construct



multipliers for individuals earning between \$10,000 and \$15,000 per year to reflect the income and number of working hours specifically for the Imperial County IHSS workforce.

According to Dr. Jensen, for every \$1 million of new worker income, spending in Imperial County will increase by \$1.442 million, businesses will reap an additional \$1.255 million and local governments will experience an increased \$15,000 in tax revenues.¹¹

¹⁰ The total cost of raising wages from the current \$6.75 to \$10.50 is \$3.73 million. The above stated \$1.7 million is the difference between costs for the increase to \$10.50 from \$8.50

¹¹ These calculation of Imperial County’s Economic Multipliers were re-done based on 2004 data.

- a. The Income Multiplier. This estimate includes housing and spending on local goods and services generated
- b. The Output Multiplier. This estimates the likely impact of wages on local businesses within Imperial County, but does not include housing. (Additional spending would occur in neighboring counties.)
- c. The Local Government Tax Multiplier. This multiplier estimates the increased income to all Imperial County governmental entities, not just the County.

Thus, if the Board of Supervisors raises home care worker wages to \$8.50 an hour, consumer spending at Imperial County businesses will increase by \$11.9 million. If a \$10.50 wage is approved, companies will reap a \$22.5 million windfall. In addition, county tax revenues will grow by \$146,154 and \$276,674 if home care workers are paid a wage of \$8.50 and \$10.50 an hour, respectively.

The positive economic impact of granting pay increases to Imperial County home care workers should be weighed against not granting them. Any temporary loss of interest income due to the statutory lag in reimbursement from state realignment funds will be more than recouped by increasing the tax base.

For example, the increase in the tax base resulting from an \$8.50 wage is \$146,154 per year, or \$365,385 over 2½ years, resulting in County revenues almost 50% higher than the \$118,750 opportunity cost of the raise over the same time period.¹²

<p>What Imperial County Stands to Gain</p> <p><i>Granting a pay raise to county IHSS workers will benefit the entire county. A wage increase to, say, \$8.50 an hour with health benefits, will result in:</i></p> <ul style="list-style-type: none"><i>\$11.9 million in additional consumer spending, a windfall for local business</i><i>\$146,154 in new local tax revenue</i>

Conclusion

Imperial County home care workers provide a critical service to the county. Yet too many of them live in poverty. Lifting these workers out of poverty will not cost the County a dime.

State and federal dollars are available to increase these workers' salaries. Doing so will not only benefit workers and their families, but Imperial County as a whole.

It's time to give Imperial County home care workers the pay raise and health insurance they deserve.

¹²Through realignment, funds are returned to the county approximately 2½ years after being matched. Based on a 2.5% interest rate, the opportunity cost of this \$1.9 million raise is about \$47,500 per year, or about \$118,750 over the 2½ year time frame before the funds are returned.